



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

General
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May 6, 1983

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of the Treasury (Tax Policy)
Central Intelligence Agency
Environmental Protection Agency
National Aeronautics and Space Administration
Nuclear Regulatory Commission
Office of Personnel Management
U.S. Postal Service
Tennessee Valley Authority
Veterans Administration

SUBJECT: GSA draft bill, "Federal Employee's Relocation Allowances Reform Act of 1983".

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than June 3, 1983.

Questions should be referred to Mary Ann Chaffee (395-5090) or to Hilda Schreiber (395-4650), the legislative analyst in this office.

Naomi R. Sweeney
Naomi R. Sweeney for
Assistant Director for
Legislative Reference

Enclosures

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A BILL

"To amend chapter 57 of title 5, United States Code, pertaining to the travel and transportation expenses and relocation allowances for Federal employees who relocate in the interest of the Government."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be cited as the "Federal Employee's Relocation Allowances Reform Act of 1983".

Sec. 2. Chapter 57 of title 5, United States Code, is amended as follows:

(a) Sections 5721 through 5724a and 5726 through 5730 are deleted;

(b) Section 5725 is redesignated section 5727;

(c) Section 5731 is redesignated section 5710 and amended by deleting in the first sentence the words "in accordance with regulations prescribed by the President" and inserting in lieu thereof "under regulations prescribed under section 5707 of this title";

(d) Section 5732 is redesignated 5753; and

(e) Section 5733 is redesignated section 5711.

Sec. 3. Subchapter II of chapter 57 of title 5, United States Code, is further amended as follows:

(a) By revising the title of subchapter II to read as follows:

"Subchapter II--Travel and transportation expenses and relocation allowances; new appointees, student trainees, and transferred employees"; and

(b) By adding new sections 5721 through 5726 to read as follows:

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"§5721. Definitions

For the purpose of this subchapter--

(1) "agency" means--

- (A) an Executive agency;
- (B) a military department;
- (C) a court of the United States;
- (D) the Administrative Office of the United States Courts;
- (E) the Library of Congress;
- (F) the Botanic Garden;
- (G) the Government Printing Office; and
- (H) the government of the District of Columbia;

but does not include a Government controlled corporation;

(2) the "Administrator" means the Administrator of General Services;

(3) "employee" means an individual employed in or under an agency, including a new appointee or a student trainee when assigned upon completion of college work;

(4) "continental United States" means the several States and the District of Columbia, but does not include Alaska or Hawaii;

(5) "Government" means the Government of the United States and the government of the District of Columbia; and

(6) "appropriation" includes funds made available by statute under section 9104 of title 31.

§5722. Travel and transportation expenses and relocation allowances of new appointees, student trainees and transferred employees

(a) Under such regulations as the Administrator may prescribe and to the extent considered necessary and appropriate, as provided therein, an agency may

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pay from its appropriations, subject to sections 5722(b) and 5724 of this title, for the expenses and allowances of an employee, who is appointed, assigned or transferred in the interest of the Government from one official station to another (or in the case of new appointees, from place of actual residence to the first duty station), as follows:

(1) the travel expenses (including subsistence expenses under section 5702 of this title and appropriate transportation) of the employee and his immediate family, or a commutation thereof under section 5704 of this title: Provided, That when a privately owned automobile is used for transportation, a mileage allowance under subsection 5704(a)(2) may be paid without limitation to common carrier cost;

(2) the expenses of transportation (including packing, crating, draying and unpacking) and/or storage of the household goods and personal effects of the employee and immediate family, or a commutation thereof at the rates per 100 pounds that are fixed by regulations of the Administrator;

(3) the expenses of transportation and/or necessary storage of privately owned vehicles by--

(A) Commercial means, if available at reasonable rates and under reasonable conditions; or

(B) Government means on a space-available basis; and

(4) a relocation allowance, determined to be appropriate under regulations of the Administrator, which may be based on a percentage of the annual basic pay of the employee concerned as compensation for all or part of the anticipated costs of relocating the employee's household. The amount of such allowance may include, but is not limited to, the costs of househunting trips, residence transactions (including lease expenses), subsistence while occupying

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temporary quarters, movement of a mobile home used as a residence, and other costs to the employee resulting from the relocation.

(b) When the appointment, assignment or transfer is made primarily for the convenience or benefit of the employee, or at the employee's request, the travel and transportation expenses and relocation allowances authorized under subsection (a) of this section may not be allowed or paid from Government funds.

(c) This section does not apply to appropriations for the Foreign Service of the United States.

(d) Subsection (a)(3) does not apply to the Central Intelligence Agency and does not affect Section 403e(a)(4) of title 50.

§5723. Return travel and transportation expenses of employees stationed outside the continental United States; tour renewal agreement travel

Under such regulations as the Administrator may prescribe and to the extent considered necessary and appropriate, an agency may pay from its appropriations--

(a) the expenses authorized under subsections 5722(a)(1), (2), and (3) of this title upon the employee's return from a post of duty outside the continental United States to the place of actual residence at the time of appointment, assignment or transfer to a post of duty outside the continental United States. An agency may pay such expenses only after the employee has completed an agreed upon tour of duty consisting of a minimum period of--

(1) one school year as determined under chapter 25 of title 20, if employed in a teaching position, except as a substitute, in the Department of Defense under that chapter; or

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(2) not less than one nor more than 3 years prescribed in advance by the head of the agency, if employed in any other position; unless separated for reasons beyond the employee's control which are acceptable to the agency concerned. These expenses are payable whether the separation is for Government purposes or for personal convenience.

(b) the expenses of round-trip travel of the employee and immediate family from a post of duty outside the continental United States to the place of actual residence at the time of appointment, assignment or transfer to the post of duty, after the employee has satisfactorily completed an agreed upon tour of duty outside the continental United States and is returning to the place of actual residence to take leave before serving another agreed upon tour of duty outside the continental United States. However, the travel and transportation expenses under this subsection (b) may be paid from a post of duty in Alaska or Hawaii only--

(1) in cases in which it is determined that payment of such expenses is necessary for the purpose of recruiting or retaining an employee for service at a post of duty in Alaska or Hawaii; or

(2) for one round trip incident to an employee's satisfactory completion of a current tour of duty being served on the date of enactment of this Act, unless payment of such expenses is determined necessary under subsection (b)(1) of this section.

(c) the expenses of round-trip travel of the employee and immediate family, to the extent that these expenses may be authorized under subsection (b) of this section, for an employee of the United States appointed by the President by and

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with the advice and consent of the Senate, for a term fixed by statute, after the employee has satisfactorily completed each 2 years of service outside the continental United States and before serving at least 2 more years of service outside the continental United States.

(d) the travel expenses of the immediate family and transportation of household goods and personal effects including privately owned vehicles under subsection (a) of this section, not more than once before the return of the employee to the place of actual residence, when--

(1) the employee has acquired eligibility for such expenses; or

(2) the public interest requires the return of the immediate family for compelling personal reasons of a humanitarian or compassionate nature, such as may involve physical or mental health, death of a member of the immediate family, or obligation imposed by authority or circumstances over which the employee has no control.

When the immediate family and household goods and personal effects are returned prior to acquired eligibility to the place of actual residence at the expense of the employee and for reasons other than the public interest, the employee may be reimbursed for such expenses upon attaining eligibility for these expenses.

(e) This section does not apply to appropriations for the Foreign Service of the United States.

§5724. Service agreements

Under such regulations as the Administrator may prescribe, an agency may pay expenses and allowances under section 5722 of this title only after the

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individual selected for appointment, assignment or transfer agrees in writing to remain in Government Service for--

(a) a minimum period of one school year as determined under chapter 25 of title 20, if selected for appointment to a teaching position, except as a substitute, in the Department of Defense under that chapter; or

(b) for a period of 12 months after appointment, assignment, or transfer to any other position;

unless separated for reasons beyond his control which are acceptable to the agency concerned. If the individual violates the agreement, the money spent by the United States for these expenses and allowances is recoverable from the individual as a debt due the United States. Such debt may be prorated based on the period of time actually served.

§5725. Funds and advances

(a) Funds available for travel expenses of an employee are available for the travel expenses of the immediate family, and funds available for transportation of things are available for the transportation of household goods and personal effects and a privately owned vehicle, and the appropriations or other funds available to an agency for administrative expenses are available for payment of relocation allowances, as authorized by this subchapter.

(b) Expenses and allowances authorized under this subchapter may be paid in advance under the regulations of the Administrator with the same safeguards required under section 5705 of this title; or the expenses and allowances authorized under this subchapter may be paid in advance on a lump sum basis notwithstanding the actual expenses incurred, subject to the conditions provided in section 5724 of this title.

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§5726. Agency obligation to pay

(a) When an employee transfers from one agency to another, the agency to which he transfers pays the expenses and allowances authorized under this subchapter. However, under regulations prescribed by the Administrator, in a transfer from one agency to another because of a reduction-in-force or transfer of function, expenses and allowances authorized under this subchapter may be paid in whole or in part by the agency from which the employee transfers or by the agency to which he transfers, as may be agreed upon by the heads of the agencies concerned.

(b) Under such regulations as the Administrator may prescribe, a former employee separated by reason of reduction-in-force or transfer of function who within 1 year after the separation is reemployed by a nontemporary appointment at a different geographical location from that where the separation occurred may be allowed and paid the expenses and allowances authorized under sections 5722 and 5727 of this title in the same manner as though transferred in the interest of the Government without a break in service to the location of reemployment from the location where separated."

Sec. 4. The analysis of chapter 57 of title 5, United States Code, is amended as follows:

(a) By adding items 5710 and 5711 at the end of the analysis for subchapter I to read as follows:

"5710. Expenses limited to lowest first-class rate."

"5711. Expeditious travel.";

DRAFT

(b) By revising the analysis of subchapter II to read as follows:

"5721. Definitions.

5722. Travel and transportation expenses and relocation allowances of new appointees, student trainees and transferred employees.

5723. Return travel and transportation expenses of employees stationed outside the continental United States; tour renewal agreement travel.

5724. Service agreements.

5725. Funds and advances.

5726. Agency obligation to pay.

5727. Transportation expenses; employees assigned to danger areas."; and

(c) By adding item 5753 at the end of the analysis for subchapter IV to read as follows:

"5753. General average contributions; payment or reimbursement."

Sec. 5. The provisions of this Act shall be effective upon implementation in regulations issued by the Administrator of General Services but not later than 180 days from the date of enactment of this Act.

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Section-by-Section Analysis

The draft bill would amend chapter 57 of title 5, United States Code, pertaining to the travel and transportation expenses and relocation allowances for Federal employees who relocate in the interest of the Government.

Section 1.

This section provides a short title for the bill. It shall be cited as the "Federal Employee's Relocation Allowances Reform Act of 1983."

Section 2.

This section provides for administrative type changes to streamline chapter 57. Certain existing sections are merely redesignated with new section numbers. Other sections are redesignated and moved from subchapter II to subchapters I and IV as being more appropriate within the new proposed location. Several other existing sections are deleted and replaced by the revisions contained in section 3 of the draft bill.

Section 3.

Subsection 3(a) revises the title of subchapter II.

Subsection 3(b) adds proposed new sections 5721 through 5726 to amend and/or combine the provisions of 5 U.S.C. 5721, 5722, 5723, 5724, 5724a, 5726, 5727, and 5729. The proposed new sections would authorize travel and transportation expenses and relocation allowances for new appointees (including Senior Executive Service and Presidential), student trainees and transferred employees without regard to duty station location or manpower shortage designation. Necessary and appropriate guidelines and limitations or restrictions would be prescribed in regulations by the Administrator of General Services.

DRAFT**Section-by-Section Analysis (con.)**

Section 5721 would be amended to define the word "Administrator" as used in the new sections for brevity purposes. The Administrator of General Services is authorized to prescribe the regulations for administration of the new proposed authority. This designation reflects the current authority delegated to the Administrator from the President by Executive Order 11609 dated July 22, 1971. This change is consistent with the language used in subchapter I of chapter 57. The definition of employee, for purposes of subchapter II, would be amended to include new appointees and student trainees. Distinctions in allowances would be made by regulation, if necessary.

The proposed new section 5722 would authorize several changes to the current relocation policies and procedures for reimbursement. (1) Under appropriate regulations prescribed by the Administrator, agencies would have the flexibility to pay these expenses and allowances for any employee, including new appointees and student trainees if the needs of the agency dictate. (2) The current statutory distinctions between relocations within and outside the continental United States would be eliminated. While it is anticipated that the current distinctions will be retained under the regulations, future studies may indicate some modification is necessary. At any rate, the statute should afford the greatest administrative flexibility possible. (3) The proposed bill would remove the existing requirement that new appointees or student trainees must be appointed to a manpower shortage position before travel and transportation expenses can be paid for first duty station assignments within the continental United States. Instead, agencies would be permitted to base their decision to pay travel and transportation expenses and relocation allowances on hiring needs and availability of funds.

The proposed new subsection 5722(a)(1) would authorize payment of the travel expenses (including transportation and subsistence) of the employee and immediate family, or a commutation of these expenses if found to be appropriate. A mileage allowance under 5 U.S.C. 5704 would be authorized without limitation to common carrier cost if a privately owned automobile is used for en route transportation by the employee and/or immediate family.

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Section-by-Section Analysis (con.)

The proposed new subsection 5722(a)(2) would authorize payment for the transportation and/or necessary storage of an employee's household goods and personal effects, or a commutation thereof. This commutation authority would replace the current authority contained in 5 U.S.C. 5724(c) for payment of these expenses under the commuted rate schedules. The determination as to the preferred method (commuted rate or actual expense) would be made under regulatory guidelines prescribed by the Administrator. This subsection would also incorporate existing statutory authority contained in 5 U.S.C. 5726 for storage expenses.

The proposed new subsection 5722(a)(3) would authorize the payment of the expenses of shipping and/or necessary storage of a privately owned vehicle (POV) without the statutory limitations contained in the current provisions of 5 U.S.C. 5727. This subsection would also give the Administrator the flexibility to authorize by regulation shipment of a POV within the continental United States, such as for handicapped employees who relocate or when shipping the POV would be more economical than a mileage allowance plus appropriate subsistence expenses.

The proposed new subsection 5722(a)(4) would provide the Administrator with the flexibility to administratively prescribe the manner in which relocation allowances are paid or reimbursed. Primarily, the new authority would provide the flexibility to pay a relocation allowance as a lump sum payment based on a percentage of the employee's basic pay. This lump sum allowance would include, but would not be limited to, those expenses which are currently authorized under 5 U.S.C. 5724(b), 5724a(a)(2), (3) and (4), and 5724a(b) but without the current statutory restrictions and resulting item-by-item reimbursement. Under regulations prescribed by the Administrator, the agency would have administrative discretion to authorize and approve within prescribed maximums an appropriate amount based on its hiring needs and availability of funds as well as the individual employee's needs and anticipated relocation expenses. The prescribed maximums would be established by the Administrator as percentages of the annual

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Section-by-Section Analysis (con.)

basic pay of the employee at the new duty station. In addition, the new subsection 5722(a)(4) would provide the flexibility to also pay or reimburse relocation allowances on an item-by-item basis at the discretion of the Administrator. It is anticipated that relocation allowances for employees transferred from overseas to a duty station in the United States would, at least initially, continue to be paid on an item-by-item basis similar to current procedures.

The proposed new subsection 5722(b) carries forward the existing prohibition contained in 5 U.S.C. 5724(h) that relocation expenses cannot be paid when the transfer is primarily for the employee's convenience or benefit, or at the employee's request.

The proposed new subsections 5722(c) and (d) preclude application of this section to appropriations of the Foreign Service of the United States and application of the POV section to the Central Intelligence Agency. This is a carry over from existing 5 U.S.C. 5722(d), 5724(g), 5727(e) and 5729(c). The references in existing section 5727e have been changed to reflect current law.

The proposed new section 5723 carries forward and combines the basic authority currently contained in 5 U.S.C. 5722(a)(2), 5722(c), 5728 and 5729 except that the proposed new section 5723 generally provides broader administrative flexibility for determining the conditions under which expenses can be paid.

Proposed subsection 5723(a) would provide the authority for payment of travel and transportation expenses of an employee who returns from a post of duty outside the continental United States to the place of actual residence provided the employee has met the required service agreement. These provisions have been carried forward from the existing provisions of 5 U.S.C. 5722(a)(2) and 5722(c).

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Section-by-Section Analysis (con.)

The proposed new subsections 5723(b) and (c) carry forward the basic authority and limitations currently contained in 5 U.S.C. 5728 for travel and transportation of the employee and family between tours of duty outside the continental United States. A new limitation has been added to restrict payment of tour renewal agreement travel expenses to one round trip after the date of enactment for those employees who are serving a current tour of duty in Alaska or Hawaii on the date of enactment unless subsequent round trips are determined to be necessary for recruiting and retention purposes.

The proposed new subsection 5723(d) carries forward the basic authority and limitations currently contained in 5 U.S.C. 5729 for travel and transportation expenses for the return travel of the employee's immediate family and transportation of employee's household goods from the post of duty outside the continental United States to the place of actual residence, prior to the employee attaining eligibility for such expenses.

The proposed new subsection 5723(e) carries forward the prohibition contained in the existing provisions of 5 U.S.C. 5722(d), 5728(c) and 5729(c) that these subsections do not apply to appropriations for the Foreign Service of the United States.

The proposed new section 5724 amends and combines the service agreement provisions contained in the existing provisions of 5 U.S.C. 5722(b), 5723(b) and 5724(i) as these provisions pertain to employees appointed, assigned, or transferred. A new provision has been added which will allow an agency to prorate any employee debt arising from violation of the service agreement based on the period of time actually served.

The proposed new subsection 5725(a) carries forward the existing provisions of 5 U.S.C. 5724a and 5730 pertaining to the types of funds which are available for payment of travel and transportation expenses and relocation allowances.

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Section-by-Section Analysis (con.)

Proposed subsection 5725(b) carries forward the existing provisions of 5 U.S.C. 5724(f) pertaining to advances of funds for travel and transportation expenses. This authority is amended to specify that these expenses and/or the relocation allowance may be paid in advance with the safeguards required under 5 U.S.C. 5705 or as a lump sum amount without an after-the-fact accounting of the expenses actually incurred.

The proposed new subsection 5726(a) carries forward the basic provisions currently contained in 5 U.S.C. 5724(e) specifying that the gaining agency pays for all expenses and allowances authorized under subchapter II, except in cases of reduction-in-force (RIF) or transfer of function, either the gaining or losing agency may pay in whole or in part as agreed upon by the involved agencies.

Proposed new subsection 5726(b) is derived from current provisions of 5 U.S.C. 5724a(c) which provides that when an employee is separated because of a RIF and reemployed in a nontemporary position in a different location within one year, expenses and allowances under sections 5722 and 5727 may be paid as if the employee had transferred in the interest of the Government from one official station to another without a break in service.

Section 4 of the draft bill would amend the analysis of chapter 57 of title 5, United States Code, to reflect the redesignation of certain sections and headings of the proposed new sections of subchapter II.

Section 5 provides for an effective date of the enacted bill.

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Outline of
Proposed Regulatory Approach

Basic Features

Regulations will be written to provide agency management greater flexibility to meet the Government's employment needs through a system which places significant cost accountability and control at the agency level. As under the current statutes and regulations, payment or nonpayment of relocation expenses and allowances will be based on the agency's determination of whether a particular relocation is in fact in the interest of the Government. Our initial regulatory implementation under the revised law will apply to domestic relocations only. Policies governing relocations to and from overseas locations will be modified as future needs dictate. The basic features of the proposed regulatory approach are as follows:

a. All employees, except new appointees and student trainees, who relocate in the interest of the Government will be entitled to a basic travel and transportation allowance consisting of expenses for shipment of household goods and the travel and transportation of the employee and immediate family to the new duty station.

b. In addition to the basic travel and transportation allowance, employees will be eligible for a relocation allowance which takes into account, among others, the types of expenses listed in section 5722(a)(4) of the draft bill. The actual amount of the relocation allowance will be determined on a case-by-case basis by the employing agency and the employee under the following criteria:

1. Management directed relocations. Employees who relocate as a result of a management directed action (i.e., reduction-in-force, transfer of function, agency career development program, or agency directed placement) will be authorized a relocation allowance of at least 25 percent but not more than 75 percent of their basic pay. The actual amount of the allowance within this 25 to 75 percent range will be determined by the employing agency and the employee.

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Proposed Regulatory Approach (con.)

2. Management authorized but non-directed relocations. Employees who relocate as a result of a management authorized but non-directed action (i.e., employee selection under an agency merit promotion program or other employee initiated placement action where there is a clearly established interest to the Government as well as benefit to the employee) may be authorized a relocation allowance not to exceed 50 percent of the employee's basic pay. There will not be a minimum relocation allowance such as that proposed for management directed relocations. The actual allowance, if any, would be determined on a case-by-case basis by the employing agency and the employee but not to exceed the 50 percent of basic pay limitation.

c. New appointees (first and subsequent appointments to the Federal Government) and student trainees (upon initial assignment to their first post of duty upon completion of college work) may be authorized the basic travel and transportation allowance and a relocation allowance not in excess of 50 percent of the basic pay of the position being filled. However, neither the basic travel and transportation allowance nor the minimum relocation allowance would be guaranteed, but authority would be given to agencies to pay these expenses and allowances based on the recruitment and placement needs of the agency. For purposes of these allowances, a new appointee would also include SES appointees reporting to a first duty station and Presidential appointees as well as those employees who are newly appointed to an executive agency from another branch of the Government or from an agency such as the U.S. Postal Service which is specifically excluded from coverage under chapter 57 of title 5, United States Code.

→ d. Weight limitations on household goods shipments will be raised from the current 11,000 pound limit to 15,000 pounds. As currently prescribed, household goods would be shipped either under the Government bill of lading or the commuted rate schedule method.

e. Initially, relocations to and from posts of duty outside the continental United States will be treated the same as is contained in existing regulations.

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Proposed Regulatory Approach (con.)

f. Shipment of a POV within the continental United States may be authorized when it is determined to be in the interest of the agency such as being more economical than paying a mileage allowance and appropriate subsistence allowances, or when a physical handicap of the employee or family member precludes extended periods of driving. We intend to authorize the shipment of only one POV in the regulations, but recognize that some unforeseen circumstances may occur where shipment of more than one POV would be warranted. The legislation has been written so as to not preclude this determination. POV shipments to and from overseas locations will continue to follow existing regulations.

g. The agreed upon relocation allowance will be provided to the employee prior to the actual relocation or immediately upon reporting to the new duty station or the first duty station in the case of new appointees. The amount of the relocation allowance would be stated in the 12-month service agreement, thereby, obligating the employee for repayment if the relocation is not accomplished or the service agreement is violated at a later date. Detailed vouchers on expenditures will not be required to justify the relocation allowance after the fact. Vouchers filed for the en route travel of employee and family and shipment of household goods will suffice as evidence of completion of the move.

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Proposed Regulatory Approach (con.)**Analysis of Key Features**

- Employees who relocate in the interest of the Government have certain fixed costs common to all, i.e., shipment of household goods and travel and transportation expenses to the new duty station. We believe the Government, as an employer, has an obligation to pay these costs as a minimum allowance. Consequently, we would require payment or reimbursement of these costs similar to current regulations as a minimum entitlement for employees relocated in the interest of the Government.

- The additional, negotiable relocation allowance takes into account the additional and variable expenses of the individual employee based upon personal and financial considerations towards housing, education, life style, leisure time activities, etc., balanced against the employer's needs for that employee's particular job skills and the employer's ability to pay.

- The premise we have used in establishing the relocation allowance rates as a percentage of the employee's basic annual pay recognizes that a lower graded employee may be authorized a lower relocation allowance than a higher graded employee. We believe, however, that the correlation that currently exists between employees' grade levels and their rates of basic pay (i.e., a correspondingly higher grade and pay based upon increased skills, knowledge and responsibilities of the position) is the same correlation the Government should be using in setting relocation allowances. The employee's potential worth to the organization should be reflected in the allowance level.

- Setting the allowance rate as a percentage of basic pay also has an additional advantage of providing a mechanism for automatically adjusting the actual dollar amounts to coincide with escalating relocation costs. Major relocation cost or pay level shifts, either up or down, can be adjusted through regulatory changes in percentage maximums.

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Proposed Regulatory Approach (con.)

- Maximum percentages of pay for management authorized, but non-directed moves have been set at levels that will not adversely affect agency merit promotion programs, but at the same time sets the allowance maximum at a level in consideration of the fact that the employee may also have a substantial interest, either short or long range, in making the move.

- Maximum percentages of pay for management directed moves have been set at levels that would fully compensate, in most cases, the employee's relocation costs and, in addition, permit agencies some flexibility to increase the amount when necessary to induce the employee to accept the relocation.

- Minimum percentages of pay for management directed moves have been established to guarantee a minimum relocation allowance to the employee who has no choice in his assignment (other than to resign). While we realize that the establishment of a guaranteed minimum may be viewed as penalizing management, the hardship placed on employees and their families during such moves must be recognized, and alleviated to the extent possible. There are many instances where forced mobility of the workforce is essential to the mission of the agency. There are other situations, however, where we believe the necessity and frequency of these costly relocations should be closely examined by agency management. The establishment of this guaranteed minimum should force such an examination.

- In setting the maximum percentage levels for both management authorized and management directed moves, we used actual cost figures reported in our relocation study by employees who moved during the 1979 calendar year updated with a Consumer Price Index adjustment factor of 25.7 percent. To these cost figures, we factored in an average additional income tax liability that resulted from the payment of the relocation reimbursement. The payment of the tax liability on relocation reimbursements is a typical practice in the private sector, known as "grossing up." Our method, by including the average tax liability in establishing the maximums, does not guarantee an employee that his

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Proposed Regulatory Approach (con.)

tax on the allowance will be covered, but it does recognize that the employee can legitimately negotiate a dollar amount that will include the projected tax liability.

- A new study of 1981 calendar year relocations is being conducted in conjunction with the Office of Personnel Management. Results of this study will be used to verify or adjust the proposed maximum percentage levels.

- Once the relocation allowance amount has been agreed upon, the agency will issue a check to the employee as a lump sum payment to cover the relocation costs. The employee will use the allowance to cover the expenses of househunting trips, temporary housing, residence transactions, and the myriad other miscellaneous expenses associated with the relocation of a household. Unlike the present system, whereby each category of potential expense has a fixed reimbursement limit, the employee will now have the flexibility to use the allowance to meet his particular needs without item-by-item limitations. In addition, agencies will save considerable time and money in the elimination of a major portion of the current complicated voucher examination process. This process is especially complicated for reimbursement of real estate expenses.